



Reviewing the CEO: A Guide for Nonprofit Boards

It's one of the board's most crucial tasks. Here are 10 steps to success.

BY WILLIAM CONTENTE

A nonprofit board has two main duties:

- to assure donors that contributions are properly applied
- to assure those it serves that the organization furthers its mission.

In fulfilling these duties, the board must monitor overall performance and set strategic direction. Both these responsibilities converge in the annual review of the chief executive officer. Properly done, an annual review can provide early warning of problems, help focus the CEO's efforts, and give the CEO valuable insights. The CEO review can be broken into two parts:

Part I.

How is the organization performing?

The organization's performance is a direct reflection of the CEO. The organization's successes and failures should be the starting point for any CEO review. Begin by asking:

- **Are programs** effective?

- **Have fundraising goals** been met?
- **Does the community** see the organization as a valuable asset?
- **Is senior management** qualified and motivated?
- **Are finances** in order?
- **Is the organization moving forward** as planned? Does the organization's performance measure up against the strategic plan and goals? If not, ask: Are goals realistic? Do recent developments justify revising the plan? Is the CEO capable of doing the job?

Part II.

How can the CEO perform more effectively?

To evaluate the CEO's performance, you'll need to gather information from a number of diverse sources. Here are 10 steps to take:

1 Plan your review carefully. Performing a CEO review can take much longer than expected. If the process drags on, two problems arise. First, the final review will be based on stale information. Second, the positive results of the review, in terms of feedback, constructive criticism, and any needed

course correction, will be delayed. These problems can be avoided with careful planning. Timelines, questionnaires, and individual responsibilities should be agreed upon in advance. Before starting, discuss the process with the CEO. Be willing to compromise if the CEO has reasonable concerns about how the review will be conducted.

2 Look for signs of problems. For example, a breakdown in financial controls will show up in the audit; disarray in the development office will be reflected in lower contributions or a change in the mix of contributions; and high staff turnover may indicate personnel problems. Use these objective signs as outcome measurement tools, pointing to areas of strength and weakness.

3 Poll board members. Have board members evaluate interaction between the board and CEO. Ask:

- **Is the CEO providing** appropriate information to the board?
- **Is the board being asked** to address appropriate strategic issues facing the organization?



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- **Is the CEO reaching out** to board members, building the emotional bond that encourages them to donate their time, talent, and treasure?
- **Do the CEO and board president work together** as effective partners?
Also ask board members if they feel the CEO has these vital skills:
 - **A sound organizer?**
 - **An inspiring** visionary?
 - **An enthusiastic** cheerleader for the organization?
 - **Adept at cultivating** relations with funders?
 - **Good interpersonal skills** when dealing with staff?
 - **Clear verbal and written** communication?

Also ask board members if they feel the CEO has these vital skills:

- **Thorough financial** understanding?

Since all CEOs have deficits, your review should include strategies to compensate for weaker skills. If the CEO has organizational problems, the board could provide additional structure in critical areas. If the CEO lacks financial understanding, the board could recommend adding a strong financial officer, regular meetings with the organization's accountants, or a course on not-for-profit accounting.



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4 Gather input from the organization's officers and other employees. Even a diligent board sees only a portion of an organization's performance. To gain an idea of the CEO's day-to-day performance, the board reviewers will need to interact with staff. Think of it this way: By gathering information from senior employees and key managers, the board can help the CEO deal more effectively with staff, resulting in a happier staff and CEO, a more smoothly running operation, and better execution of the mission. Seek answers to these questions:

- **Do senior managers feel empowered** to meet their goals?
- **Do employees understand** the organization's mission and their role in fulfilling it?
- **Are management issues resolved** quickly, fairly, and in a way that builds the organization's team?

Be careful not to undercut the CEO's authority when you talk to staff members. Tell the CEO in advance that employees will be interviewed. Assure employees that their responses will be kept confidential, and honor that obligation.

5 Ask funders for their feedback. In addition to obtaining constructive information from funders, you can use this contact as a



Don't scapegoat the CEO for poor board functioning.

marketing opportunity. Let funders know you take your oversight responsibilities seriously and that their input is important. Keep in mind, however, that funders have their own agendas. Make sure their criteria for evaluation are consistent with yours.

6 Gather feedback from other important constituencies. Contact members of any other groups with whom the CEO interacts. Use questionnaires or interviews to gain their assessments of the CEO's performance.

7 Get the CEO's input. Ask the CEO the following questions:

- **What have you accomplished** for the organization?
- **What areas** present problems?
- **What issues** face the organization in the future?

If the board's understanding is similar to the CEO's self-assessment, it shows good communication between the board and CEO. If the CEO's emphasis is much different from that of the board, however, the parties must decide how to bridge the gap and build a common vision of where the organization is going and how it will get there.

8 Explore problems with the CEO. Part of the board's job is to give the CEO guidance in overcoming obstacles. It's not enough to identify problems. You must discuss issues with the CEO and propose solutions. If the problem is the result of a "blind spot" of your CEO, bringing it to light may be sufficient.

If the problem is more intractable, you may need to strategize or bring in outside support.

9 Discuss salary. This step may be the most delicate part of the review. Talking about money can be difficult, and the problem can be compounded by funder expectations and financial constraints. While the CEO's salary should be approved by the entire board, negotiation of that salary is best handled one-on-one with the board chair, the head of the governance committee, or another appropriate board member. Leave time for this negotiation: It may take more than one meeting to manage expectations, balance resources, and decide how to reward performance fairly and successfully.

10 Set goals. Once information has been gathered, problems identified, and corrective strategies discussed, the reviewing board and the CEO should work together to create goals for the following year. The review should articulate keys to next year's success. Don't micro-manage: A board functions best when it paints in broad strokes. This process will assure that the board has set the goals and strategies for the future, that the CEO is pointed in the right direction, and that both have a basis for beginning next year's CEO evaluation.

One word of caution: This discussion assumes the board is effective and informed. Don't scapegoat the CEO for poor board functioning. If the board is split, provides poor guidance, or is incapable of working

constructively with management, it might be more appropriate to review the board than to review the CEO!

Done properly, the CEO evaluation can strengthen the board, reinforce support of the CEO, improve the CEO's performance, impress funders, and keep the organization on track. Few board functions offer so much. Savvy boards will take full advantage of this opportunity. ■

Resources

Carver, John, "The Founding Parent Syndrome," *Nonprofit World*, Vol. 10, No. 5.
 Eadie, Douglas, "Boards Can't Go It Alone: Forging a Partnership with the Chief Executive," *Nonprofit World*, Vol. 14, No. 2.
 Muehrcke, Jill, ed., *Board Leadership & Governance, Leadership Series*.
 Temkin, Terrie, "Evaluating the Top Administrator: A New Approach," *Nonprofit World*, Vol. 15, No. 4.
 Vartorella, William, "Board and Staff Consensus: A Powerful Fundraising Tool," *Nonprofit World*, Vol. 15, No. 1.
 Wagner, Lilya & Mark Hager, "Board Members Beware! Warning Signs of a Dysfunctional Organization," *Nonprofit World*, Vol. 16, No. 2.
 Weisman, Carol, *Board Governance Videotape*.

These resources are available from the Society's Resource Center, 734-451-3582, www.snpo.org.



William Contente (bcontente@lgu.com) is a partner with the Boston law firm of Lucash, Gesmer & Updegrave LLP. He serves as chairman of the board of directors for the Lena Park Community Development Corporation in Dorchester, Massachusetts.